

## **Report of the Auditor General on Head 227–Department for Registration of Persons - Year 2016**

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The audit of the Appropriation Account ,Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the Department for Registration of Persons - Head 227 for the year ended 31 December 2016 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Commissioner General on 25 October 2017. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

### **1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements.**

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. The responsibility includes; designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

## **2. Accounts**

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### **2.1 Appropriation Account**

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#### **Total Provision and Expenditure**

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The total net provision made for the Department amounted to Rs. 722.11 million and out of that Rs.713.70 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision made for the Department amounted to Rs. 8.41million representing 1.16 per cent of the net provision. Details are given below.

Expenditure -----	As at 31 December 2016 -----			Savings as a percentage of Net Provision -----
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	633.91	626.26	7.65	1.21
Capital	88.20	87.44	0.76	0.87
<b>Total</b>	<b>722.11</b>	<b>713.70</b>	<b>8.41</b>	<b>1.16</b>

## 2.2 Revenue Account

### ----- Estimated and Actual Revenue -----

The Department had prepared Revenue Estimates totalling Rs150.00 million in respect of 20.03.02.03 Revenue Code for the year 2016 and Revenue totalling Rs,235.40 million had been collected. It represented 157 per cent of the estimated revenue. Details appear below.

Revenue Code -----	As at 31 December 2016 -----			Excess/ Shortfall as a Percentage of Estimate -----
	Estimated Revenue	Actual Revenue	Excess/ (Shortfall)	
	Rs. Millions	Rs. Millions	Rs. Millions	
20.03.02.03	150.00	235.40	85.40	57

## 2.3 Advances to Public Officers Account

### ----- Limits Authorized by Parliament -----

The limits authorized by Parliament for the Advances to Public Officers Account Item No.22701 of the Department and the actual values are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
26.00	25.03	16.00	20.28	70.00	50.32

#### 2.4 Imprest Account

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Balance of the Imprest Account No.7002/0000//00/0033/016/000 of the Department as at 31 December 2016 amounted to Rs.4.72 million.

#### 2.5 General Deposit Accounts

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The balances of 04 General Deposit Accounts of the Department as at 31 December 2016 totalled Rs. 8.79 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
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	Rs.millions
6000/0000/00/0001/0055/000	2.72
6000/0000/00/0002/0073/000	0.06
6000/0000/00/0016/0023/000	5.95
6000/0000/00/0018/0030/000	0.06
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<b>Total</b>	<b>8.79</b>
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#### 2.6 Audit Observation

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The Appropriation Account ,Revenue Account and the Reconciliation Statements for the year ended 31 December 2016, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1:1 of the Department for Registration of Persons have been satisfactorily prepared. The material and significant observations out of the audit observations included in the said Management Audit Report, appear in paragraph 3 herein.

### **3. Material and Significant Audit Observations**

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#### **3.1 Non-maintenance of Registers and Books**

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It was observed during audit test checks that the Department had not maintained the Register of Fixed Assets on Computers, accessories and software in the proper and updated manner in terms of Treasury Circular No.IAI/2002/02 dated 28 November 2002.

#### **3.2 Appropriation Account**

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##### **Budgetary Variance**

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The following observations are made.

- (a) Excess provision had been made for 07 Objects and as such the savings, after the utilization of provisions, ranged between 10 per cent to 36 per cent of the net provisions relating to the respective Objects.
- (b) Liabilities amounting to Rs.4.93 million had been incurred exceeding the net provisions provided for one item of Object for the year under review contrary to Financial Regulations 94(1).

#### **3.3 Revenue Account**

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The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to a Revenue Code had been assigned to the Head of Department as the Revenue Accounting Officer. The following deficiencies were observed during the course of audit test check of those Revenue Codes.

- (a) Even though estimates had been made for the collecting of revenue amounting to Rs.150 million relating to the item of revenue according to the Annual Revised Budget estimate, a sum of Rs.235 million had been collected at the end of the year under review. It had been represented 157 per cent of the estimated revenue.
- (b) Even though the revenue of One day Service had been Rs.205,370,000 according to the Collecting Account, it had been Rs.208,684,753 according to the computer system thus net difference of Rs.3,314,753 was observed.
- (c) According to the receiving of applications, the Stamp Revenue of the Department amounted to Rs.870,789 and according to the computer system it was Rs.1,001,265 thus a difference of Rs.130,476 observed.

### 3.4 Reconciliation Statement on the Advances to Public Officers Account

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At the audit test check carried out on the reconciliation statement as at 31 December 2016 relating to the Advances to Public Officers Account item No. 22701, the balances that remained outstanding as at that date totaled Rs. 368,804. Even though those outstanding balances remained over periods ranging from 1 years to 12 years, it was observed that the Department had failed to recover the outstanding balances.

### 3.5 Non-compliances

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#### Non-compliance with Laws, Rules and Regulations

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Action in terms of Financial Regulation 571 had not been taken to credit the deposits amounting to Rs.6.19 million exceeding 2 years period to the Revenue.

### 3.6 Performance

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Observations of the progress of the Department according to the Budget Estimate and the Action Plan of the year 2016 are given below.

- (a) Electronic National Identity Card Project is implemented from 17 August 2011 and the original estimate expenditure of that Project had been planned as Rs.14,500 million. Later, action had been taken to reduce it up to Rs.8,000 million. The entire Project is consisted of the main three stages as first, second and third and it was at the first stage even by 15 September 2017. Out of the entire revised expenditure of that Project, a financial progress of 15 per cent shown as at 31 December in the year under review. Out of the entire plan of the Project, the financial progress as at that date is given below.

Function

	Revised Financial Estimate	Actual Expenditure up to 31 December 2016	Progress as a percentage
	Rs.Millions	Rs.Millions	
Development of physical infrastructure	456.26	319.23	69.96
Development of the infrastructure of information technology	1907.00	184.91	9.70
Collecting personal data of the citizens	954.43	445.92	46.72
Converting data of citizens to electronic	715.80	-	-

means			
Personalization of Cards	2775.0	76.0	2.73
Capital Expenditure	40.0	19.35	48.37
Operations and updates in Units and Data Centres of the Department	673.06	63.67	9.45
Consultants and Resource Persons	62.04	38.82	62.57
Management and Regulation of Projects	227.51	84.05	36.94
Contingencies	189.59	-	-
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Total	8000.69	1231.95	15.39
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The following observations are made in this connection.

- (i) In the comparison of the revised estimate with the actual expenditure in respect of each function of the Project ,development of physical infrastructure and consultant and resource persons had been obtained the maximum financial progress and those had been at values of 69.96 per cent and 62.57 per cent respectively.
  - (ii) The entire financial progress of the other functions was at a level of less than 50 per cent and out of that, development of the infrastructure of information technology , operations and maintenance activities ,updates of the Departmental Units and data centres , personalization of cards were at a level of less than 10 per cent.
  - (iii) Among the activities of the Project, no any financial progress existed relating to converting data of citizens to electronic means .
- (b) The financial progress and physical progress relating to each function in the year 2016 in respect of 09 project activities are given below.

Function	Estimate for the year 2016	Financial Progress	Financial Progress as a percentage	Physical Progress as a percentage
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	Rs.Millions	Rs.Millions		
Development of Physical Infrastructure	249.38	156.48	62.7	54.2
Development of the infrastructure of Information technology	376.00	182.19	48.5	30.0
Collecting personal data of the	37.04	1.27	3.4	9.2

citizens				
Converting data of citizens to electronic means	71.58	-	0.0	0.0
Personalization of Cards	200.00	76.00	38.0	80.0
Capital Cost	10.0	-	0.0	60.0
Operations and updates in Units and Data Centres of the Department	17.70	8.03	45.4	33.3
Consultants and Resource Persons	16.45	12.09	73.5	100.0
Management and Regulation of Projects	21.85	19.97	91.4	90.0
Total	1000.00	456.02	45.6	50.7

The following observations are made in this connection

- (i) No any financial progress had been shown in respect of converting data of citizens to electronic means and capital expenditure among the functions of the activities of the Project.
- (ii) In the comparison of the physical progress of the activities of the Project in the year 2016, percentage over 75 per cent shown in respect of consultants and resource persons, Project Managers and regulation, personalization of cards but it had been shown over 50 per cent in the two sectors such as capital expenditure, development of physical infrastructure .
- (iii) The progress of the operations and update of the units and data centres of the Department and development of the infrastructure of the information technology existed less than 50 per cent and collecting of the personal data of the citizens had been shown less than 10 per cent.
- (iv) Existence of the progress of each field of performance from the year 2011 to the year under review at a low level had caused to the regulations of Registration of Persons Act had not been passed. Further, construction of disaster recovery centre in a place with most suitable facilities had been delayed continuously. Therefore, the completion of the planned tasks such as obtaining main Virtual Private Network and VPN network between the Regional Offices and Power Generators connected with that had been delayed.
- (c) The total number of identity cards issued in the year under review by the Department is 813,030 comprising 607,660 identity cards under the General Service and 205,370 identity cards under the One day Service . However, according to the Performance Report of the year 2016, the total number of identity cards issued had been shown as 804,580 by understating 8,450.

- (d) Even though the number of applications received under the General Service during the year 2016 was 808,322, out of that 607,660 or 75 per cent of the applications received had been issued.

### 3.7 Management Weaknesses

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The following observations are made.

- (a) In terms of the Registration of Persons Act (Amended) , No.8 of 2016, the data base named “National Personal Registry” should established and maintained. However, it could not be implemented up to 30 September 2017. According to the reply given by the Commissioner General on 09 November 2017, although the Registration of Persons Act has been amended on 07 July 2016 , it had been mentioned that the approval for the relevant regulations of that Act for the implementation of the provisions had been received on 22 August 2017 by Parliament.
- (b) Even though 6,370 problematic applications had been received to the Legal Division of the Department during the year 2016, adequate actions had not been taken relating to 2,330 applications or 36 per cent of that. Those applications which were presented for the activities such as submission of forged birth certificates, obtaining identity cards under 2 numbers and refer to the Registrar General’s Department for checking the suspicious birth certificates .
- (c) Purchasing one million of Pre-printed Cards

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The following observations are made.

- (i) In terms of Guideline 5.6 of the Procurement Guideline 2006 , in the stating of the procurement specifications of purchasing one million pre-printed cards , it should be shown clearly as ” the material type must be polycarbonate only”. However, it had been shown as “Base card material (Substrate) must be polycarbonate “.
- (ii) The specifications of the printing machines purchased for the printing of pre-printed cards to the Department also had been prepared relevant to printing of identity cards from polycarbonate cards.
- (iii) Despite the model cards should have been obtained from the bidders in a procurement, it had been mentioned in bidder documents as “if available”. Therefore, the ability to purchase most suitable card by comparing the quality of the model cards had been lost.

- (iv) Even though all bid bonds of the bidders for the procurement of purchasing one million pre-printed cards had been expired by 15 December 2016, the procurement had been awarded to a Private Company at Rs.71.83 million on 01 March 2017.
  - (v) Procurement of purchasing one million pre-printed cards had been commenced on 10 February 2016 and it could not be completed even by 07 September 2017.
- (d) It was observed that the following deficiencies existed in the identity cards printed and issued by the Department.
- (i) It was revealed at the audit test checks that instances of issuing 2 identity cards for one person.
  - (ii) It was observed that the instances of given other numbers instead of former numbers in the re-amendment /issuing of identity cards.
  - (iii) There had been instances of issuing identity cards for two persons under the same identity card number.

### 3.8 Losses and Damages

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Out of the cards used in the printing purpose ,percentage over 10 per cent are wasted while 140,683 cards or 17 per cent had been wasted out of 810,810 cards printed in the year 2016. A sum of Rs.4,642,539 had been costed in this connection.

### 3.9 Human Resources Management

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#### Approved Cadre and the Actual Cadre

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The position relating to cadre as at 31 December 2016 appear below.

	<b>Category of Employee</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No. of Vacancies</b>
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(i)	Senior Level	28	23	5
(ii)	Tertiary Level	4	2	2
(iii)	Secondary Level	1195	990	205
(iv)	Primary Level	142	121	21
(v)	Contract Basis	08	07	01
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	Total	1377	1143	234
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